

May 24, 2019

Credit Headlines: Frasers and Neave Ltd

Market Commentary

- The SGD swap curve bull flattened yesterday, with most shorter than 5 years trading 0-2bps lower while longer tenors traded 2-3bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 11bps yesterday to 496bps.
- Flows in SGD corporates were heavy, with activity in GUOLSP 4.6%-PERPs, ARASP 4.15% '24s, FPLSP 4.98%-PERPs, SLHSP 4.5% '25s, STHSP 3.95%-PERPs, FPLSP 4.15% '27s and METRO 4.3% '24s.
- 10Y UST yields fell a further 6bps to 2.32% as treasuries rallied on escalating tensions between China and the US.

Credit Headlines

Frasers and Neave Ltd ("FNN") | Issuer Profile: Neutral (4)

- FNN is partnering Maxim under a joint venture to invest in Starbucks Thailand, through acquisition of shares in Starbucks Coffee (Thailand) Co Ltd, which manages and operates 372 Starbucks retail coffee stores in Thailand. FNN will hold ~35.7% effective stake.
- While the acquisition is guided to be earnings accretive, FNN did not disclose the size of the deal. The deal size is expected to be large though, with FNN expecting to fund the acquisition with a mix of debt and equity financing. According to Business Times, a source with knowledge of the deal would value Starbucks operations at more than USD500mn. Separately, we note that Berjaya Food paid MYR280mn for 50% stake for 173 Starbucks Coffee stores in Malaysia in 2014. Assuming FNN's share of acquisition cost does not exceed SGD300mn, we think this is still manageable given FNN's healthy net gearing of 10.6% and ample liquidity with SGD326.0mn in cash and fixed deposits as of 2QFY2019. (Company, Business Times, OCBC)

Table 1: Key Financial Indicators

	24-May	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	75	4	11
iTraxx SovX APAC	49	2	7
iTraxx Japan	63	1	9
iTraxx Australia	75	1	9
CDX NA IG	65	2	7
CDX NA HY	106	-1	-2
iTraxx Eur Main	69	4	10
iTraxx Eur XO	297	18	45
iTraxx Eur Snr Fin	89	8	18
iTraxx Sovx WE	18	1	-1
AUD/USD	0.689	0.26%	-1.84%
EUR/USD	1.118	0.22%	0.24%
USD/SGD	1.380	-0.20%	-1.33%
China 5Y CDS	53	4	13
Malaysia 5Y CDS	69	3	15
Indonesia 5Y CDS	110	5	16
Thailand 5Y CDS	38	0	2

	24-May	1W chg	1M chg
Brent Crude Spot (\$/bbl)	68.57	-5.04%	-8.05%
Gold Spot (\$/oz)	1,282.93	0.42%	0.56%
CRB	176.92	-2.97%	-5.13%
GSCI	422.69	-4.58%	-7.12%
VIX	16.92	10.66%	28.77%
CT10 (bp)	2.324%	-6.71	-19.43
USD Swap Spread 10Y (bp)	-5	0	-3
USD Swap Spread 30Y (bp)	-29	0	-5
US Libor-OIS Spread (bp)	16	0	-3
Euro Libor-OIS Spread (bp)	6	0	0
DJIA	25,490	-1.44%	-4.16%
SPX	2,822	-1.88%	-3.59%
MSCI Asiax	614	-1.60%	-9.58%
HSI	27,354	-2.12%	-8.23%
STI	3,161	-2.15%	-6.00%
KLCI	1,604	-0.46%	-2.07%
JCI	6,052	3.87%	-6.13%

New issues

- Huarong Finance 2019 Co. Ltd. priced a USD1.9bn three tranche deal (Guarantor: China Huarong International Holdings Limited) with the USD300mn 3 year bond at CT3+135bps, tightening from IPT of CT3+1765bps area; the USD900mn 5 year bond at CT3+165bps, tightening from IPT of CT3+190bps area; and the USD700mn 10 year bond at CT10+220bps, tightening from IPT of CT3+240bps area.
- ESR Cayman Ltd has priced a SGD47.75mn re-tap of its existing ESR CAY 6.75%'22s. [Earlier on March 6, it had re-tap by SGD25mn.](#)
- Nanjing Yangzi State-owned Investment Group Co., Ltd has scheduled investor meetings from May 24 for its potential USD bond issue.

Date	Issuer	Size	Tenor	Pricing
23-May-19	Huarong Finance 2019 Co. Ltd	USD300mn USD900mn USD700mn	3-year 5-year 10-year	CT3+135bps CT3+165bps CT10+220bps
23-May-19	ESR Cayman Ltd	SGD47.75mn	ESR CAY 6.75%'22s	6.75%
22-May-19	Chouzhou International Investment Ltd	USD600mn	3-year	4.6%
22-May-19	Pingxiang Urban Construction Investment Developing Company Ltd	USD300mn	35-month	4.95%
22-May-19	Horse Gallop Finance Ltd	USD700mn	3-year	CT3+112.5bps
22-May-19	Soar Wise Ltd	USD450mn	3-year	CT3+132.5bps
22-May-19	Kaisa Group Holdings Ltd	USD400mn	3.67NC2 bond	11.625%
21-May-19	China Huadian Overseas Development Management Company Ltd	USD500mn	NC5-perpetual	4.0%
21-May-19	Lee & Man Paper Manufacturing Ltd	USD300mn	NC5-perpetual	5.5%
21-May-19	SDG FINANCE I LIMITED	USD100mn	NC3-perpetual	5.3%
21-May-19	Land Transport Authority of Singapore	SGD1.4bn	35-year	3.3%
17-May-19	Oceanwide Holdings International Development III Co., Ltd	USD134.97mn	2-year	14.5%

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